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*CONGRESSIONAL TESTIMONY*

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# **U.S Policy toward Latin America in 2009 and Beyond**

**Testimony before  
The Subcommittee on the Western  
Hemisphere  
Committee on Foreign Affairs  
United States House of Representatives  
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**Ray Walser, Ph. D.  
Senior Policy Analyst for Latin America  
The Heritage Foundation**

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My name is Ray Walser. I am the Senior Policy Analyst for Latin America at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

In the face of multiple challenges from distant Iran, Iraq, North Korea, Afghanistan, and Pakistan, it may be easy to forget that Latin America and the Caribbean are so close at hand. The region may not be America's backyard, but it is certainly very much our neighborhood. The United States shares a 2,000-mile border with Mexico that is still far too porous. Cuba is a mere 90 miles from Key West, reachable by the desperate on even the most flimsy of craft. Ready trade partner, democratic friend, and epicenter of the cocaine trade, Colombia, is a two-hour flight from Miami and accessible by the ingenious, stealthy, semi-submersible boats of drug traffickers. All in the Western Hemisphere worry about the same legal and illegal flow of goods and people, the same hurricanes, and shared environmental hazards.

Across the board, U.S. ties with Latin America and the Caribbean run broad and deep. From 1996 to 2006, total U.S. merchandise trade with Latin America grew by 139 percent, compared to 96 percent for Asia and 95 percent for the European Union. In 2006, the U.S. exported \$223 billion worth of goods to Latin American consumers (compared with \$55 billion to China). Fifty-one percent of U.S. energy imports originate from Canada, Mexico, Venezuela, Ecuador, Colombia, and Brazil.

Americans of Hispanic descent now account for 15 percent of the U.S. population, making the U.S. the largest Spanish-speaking nation after Mexico. Illegal migrants, predominantly Hispanic, exceed 10 million. The billions of dollars in remittances dispatched from the U.S. are vital to the economic health and well-being of American's neighbors to the south. But the current recession will create new strains abroad.

Any major change in U.S. relations with Latin America will inevitably be linked to progress on complex U.S. domestic issues, notably immigration reform, homeland and border security, and reducing U.S. domestic drug consumption. These changes are contingent on prevailing public attitudes toward open markets, free trade, international competition, and openness to migration. Any substantial retreat into protectionism or isolationism on the part of the U.S. will send a hard shiver down the spine of the Americas. While Americans generally desire to help their less advantaged neighbors, they fear the additional tax burdens that would accompany any increases in foreign assistance in a period when fiscal discipline is under siege and recessionary pressures are mounting.

In the new Obama Administration, just as in others, Latin Americans will first judge the President, our Congress and our nation by what it is able to accomplish at home. The historic election of 2008 and the orderly and dignified transition in 2009 speak volumes about the openness, the maturity, and the majestic continuity of American democracy. The old adage about the U.S. needing to lead by example remains fundamental to revitalizing our ties with Latin America.

The Western Hemisphere, moreover, presents a confusing and complex patchwork of states, cultures, resources, and ethnic and linguistic identities, as well as conflicting definitions of democracy and pathways to the economic future. Just think of the differences between three of the Southern Hemisphere's sovereign states: the Bahamas (a small English-speaking Caribbean nation), Brazil (an emerging multi-racial economic giant), and Bolivia (an impoverished, ethnically divided, politically unstable state). Imagine how difficult it is to develop a common policy that fits not just these three, but all 35 sovereign nations of the Americas. Therefore, it is important that from the beginning, the new Administration avoid sweeping rhetoric, one-size-fits-all programs, and cosmetic multilateral fixes that paper over the region's differences and problems.

Latin America is undergoing changes in geopolitical orientation. The growth and current crisis in the global economy and the rise of Asia coupled with a new sense of Latin American identity and solidarity have an impact on the region's development. From the establishment of the Union of South American Nations (*UNASUR*) to the proposed creation of a Bank of the South (*Banco Sur*), a southern rival to the International Monetary Fund (IMF), South America is demonstrating a desire for greater autonomy of action as well as separation from the U.S. and the traditional mechanisms of the international economy.

Even strong trade partners of the U.S., such as Chile, Colombia, and Mexico have signed dozens of free-trade agreements in all parts of the world and seek more agile and diverse paths for integration into the global economy. Many South Americans believe they can better solve political problems in a divided country like Bolivia without direct U.S. involvement. Brazil considers itself a rising power, meriting a place on the world stage on par with India or even Russia.

Latin Americans are making progress against the traditional asymmetry that dominated relations between the Northern and Southern Hemispheres during the 20th century. China and India's entry into the Latin American market coupled with the steady presence of the European Union and a more activist Russia will ensure that the future field of potential international links remains far more diversified.

A less friendly player, such as Iran, is warmly welcomed by Bolivia, Nicaragua, and Venezuela and is actively courted by Brazil. Transnational bad actors from the violent Basque ETA separatists to terror groups Hezbollah and Hamas are also seeking to gain entry into the Western Hemisphere. The diplomatic leverage and economic influence the U.S. wields remains important, but it is undergoing relative decline in face of growing global competitiveness and new threats. The Obama Administration and Congress must make continued policy adjustments that fit these changing international realities.

## **1. Do Not Disparage Bush's Achievements: Build on Them**

In eight years in office, the Bush Administration doubled foreign assistance budgets, created the Millennium Challenge Corporation and launched the President's Emergency Plan for AIDS Relief (PEPFAR). The MCC has begun the disbursement of nearly \$1 billion to El Salvador, Honduras, Nicaragua, Paraguay, Guyana, and Peru. During the Bush presidency, Congress, with bipartisan support, passed free-trade agreements with Chile (2002), Central America and the Dominican Republic (CAFTA-DR, 2005), and Peru (2007). The Bush Administration also negotiated agreements with Colombia and Panama that now await congressional approval. It is vital that Congress not walk away from these agreements.

Plan Colombia, begun in the Clinton Administration and continued under Bush, achieved remarkable improvements in security and reductions in levels of violence and crime. The streets of Bogota and Medellin are far safer. The reach of the Colombian government, from soldiers to social workers, extends much deeper into the countryside than in any point in the past. This continued projection of a mix of civilian, law enforcement, and military power is needed to lift the capacity of the Colombian state and to win the final battles against the armed extremes of the paramilitary right and the FARC left.

In North America, the Security and Prosperity Partnership (SPP) for North America advances the concept of working more closely together with Canada and Mexico to develop a close relationship with our most important trade partners improving efficiency and competitiveness while enhancing security at American borders. We should, however, make sure that all deliberations of the SPP should be conducted in a fully transparent manner and that any decisions or recommendations reached by the SPP should be presented for public scrutiny and debate before being implemented and made into law.

## **2. Protecting U.S. Security Remains a High Priority**

A hydra of violence and insecurity troubles the Western Hemisphere. Recent surveys of public opinion indicate that security is becoming the primary concern for Latin Americans. Making an impact in fighting crime and drugs in Latin America will require a mix of the elements of hard power—helicopters, aerial and maritime patrol craft, radars, and law enforcement technology—and soft power—computers, systems networks, and investigative and human rights training. It will also require U.S. leadership and cooperation with our neighbors. It will require close coordination of all elements of national power in the U.S. and abroad and a seamless web of cooperation with neighbors across a spectrum that runs from community policing, crime prevention, and demand reduction in Latin America and the U.S. to intelligence sharing, improved investigation and forensic skills, and improved capacity for seizures, take-downs, and arrests.

It is important for Washington to speak forthrightly about the U.S.'s dangerous drug habits. Reducing U.S. consumption is critical. Consumption of cocaine and other drugs fuels the bloody chain of violence and narco-terrorism that runs from the alleys and streets of U.S. cities through Mexico's Tijuana, Sinaloa, and Michoacan, through

Guatemala's Peten to the hidden runways in Venezuela and cocaine labs and coca fields in Colombia, where the Revolutionary Armed Forces of Colombia (FARC) guard the trade, hold hundreds hostage, and siphon off massive revenue from the cocaine trade.

Congress and the Executive branch should continue to show President Felipe Calderon and the Mexican people that it considers the fight against Mexico's violent drug cartels to be a high U.S. security and law enforcement priority. The \$1.5 billion counter-drug assistance package known as the Merida Initiative will give Mexico, Central America, the Dominican Republic, and Haiti the support desperately needed to fight back against ruthless, well-armed, well-financed drug mafias. Moving swiftly to choke off the flow of arms, bulk cash, and precursor chemicals southward from the U.S. will also reassure our closest neighbors of our sincere commitment to rolling back the tyranny imposed by drug terror.

To reexamine strategies for the "war on drugs" and shore up domestic support, the Administration might wish to consider convening a bipartisan commission to map out a balanced drug strategy for the next four years. Such an exercise was conducted during the first Reagan Administration (1983) to deal with the Central American crisis.<sup>1</sup> It helped to lay the basis for a bipartisan policy in a critical region. A similar systematic review, debate and presentation of policy recommendations could help to advance a new consensus and a strategy to tackle the cyclical problem of the production, sales, consumption of illicit drugs. When the study is completed, President Obama should invite the heads of state of the Western Hemisphere to review the policy and to develop a new, hemispheric anti-drug compact and strategy.

The problem of transnational gangs (*maras*) is often seen abroad as originating in the U.S. and being aggravated by the process of criminal deportations from the U.S. Regardless of origin, the gangs are a shared challenge. Developing a comprehensive and effective response will find a wide and favorable audience in the region.

The U.S. Southern Command under the energetic and forward-looking leadership of Admiral James Stavridis has worked to enhance security partnerships and military-to-military relationships in the Americas and to interweave civilian and military components into combined actions. Problems associated with ungoverned spaces and the weak institutional capabilities of many of our neighbors make the U.S. armed forces a valued partner in a range of situations from disaster relief to medical missions. Efforts "to demilitarize" U.S. foreign policy in the Western Hemisphere should not overlook the positive accomplishments of Southern Command's work.

### **3. Do Not Renege on Free Trade Deals:**

Former Bolivian president Jorge Quiroga recently remarked that it is ironic that two key commodities (oil and cocaine) enter the U.S. duty free, while the U.S. Congress

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<sup>1</sup> President Reagan created the National Bipartisan Commission on Central America, chaired by Henry Kissinger, to issue a report on Central American policy. It became an important blueprint for U.S. policy in the 1980s.

debates duty-free entry of legal products from pro-American Colombia (which already has access to the U.S. market) and Panama.

Congress should quickly approve the pending trade agreements with Colombia and Panama. These actions will send a strong signal that the new Administration will be adopting a forward-looking trade policy agenda that emphasizes the creation of new U.S. jobs through expanded export opportunities.

A full spectrum of the wisest voices—U.S. and Latin American presidents, former senior officials, both Democratic and Republican— and the Council on Foreign Relations, the Brookings Institute, the American Enterprise Institute, The Heritage Foundation, to name a few, as well as mainstream-media editorials are unanimous in urging swift passage of pending agreements with Colombia and Panama.<sup>2</sup> Colombia will certainly be willing to work with the Obama Administration and Congress to accommodate additional reasonable measures aimed at protecting labor and environmental standards.

The new Administration should also continue to support the “Pathways to Prosperity in the Americas” (PPA) program, an initiative to re-invigorate efforts to deepen and enlarge a free trade area in the Western Hemisphere. At a time when multilateral organizations (e.g. the World Trade Organization, the Inter-American Development Bank, the World Bank, and the International Monetary Fund) that were created to foster trade and open markets are struggling to advance free-market principles, and groups such as the United Nations are increasingly ideologically sympathetic to worldwide socialism, new post-Bretton Woods structures such as the PPA are needed to advance the interests of the U.S. and other free economies in the world. The PPA should be designed to support and enhance governing arrangements that emphasize the basic principles of economic freedom and market-led economic policies while addressing issues of social development and poverty reduction.

#### **4. Don’t Bend Over to Appease Hugo Chávez**

The challenge of dealing with Chávez is considerable. He is an outsized populist-authoritarian, a study in contradictions in a country torn between an impulse to populist, class-oriented socialism and the preservation of political and economic pluralism. While Chávez enjoys a significant following among Venezuelan citizens and is lionized as

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<sup>2</sup>Some examples recommending approval include: Jose Miguel Insulza, Secretary General, Organization of American States (OAS), “Recognize and Build on Our Progress,” *Americas Quarterly*, Fall 2008, pp 103–105, at <http://as.americas-society.org/article.php?id=1332> (January 28, 2009); Council on Foreign Relations, “U.S.–Latin America Relations: A New Direction For A New Reality,” Independent Task Force Report No. 60. pp. 17–19; “Rethinking U.S.–Latin Relations: A Hemispheric Partnership for A Turbulent World,” Report of the Partnership for the Americas Commission, November 2008, p. 22; and “Democrats Support Colombia FTA,” *Latin Business Chronicle*, April 21, 2008, at <http://www.latinbusinesschronicle.com/app/article.aspx?id=2314> (January 28, 2009).

Fidel's successor, his ability to construct a viable domestic economy and a system for sustainable social development are subject of fierce debate.

The battle for the political soul and future direction of Venezuela is for its people to determine. But the U.S. has a legitimate if still undefined role in working with the majority of Venezuelans who do not desire to surrender their civic rights and freedoms to a monolithic, president for life. The upcoming referendum on February 15 on changing the Venezuela constitution to remove term limits will say much about the nation's political future and the viability of Chavez's Bolivarian Revolution..

The primary concern of the United States is dealing with a Latin American leader who routinely insults the U.S. and warmly embraces every rogue and tyrant from Fidel Castro and Robert Mugabe to Kim Il-Song and Mahmoud Ahmadinejad. Chávez has forged a strong relationship with an increasingly threatening Iran and a resurgent Russia. Moreover, he seeks to become the energizing axis for Latin America's socialist integration as well a pivotal player in a new world order that he hopes will freeze out capitalism and globalization and weaken the U.S.

Sending an ambassador to Caracas ought to be quietly placed low down on the White House's to-do lists. A U.S. ambassador should not be sent to Caracas without a comprehensive, tough-minded strategy for dealing with Venezuela's populist/authoritarian leader, one that focuses foremost on actions harmful to U.S. interests such as drug trafficking, creating a launching pad for radical Islamist terrorism, support for the FARC insurgency in Colombia, and fronting for Iranian sanctions evaders. There needs to be serious and satisfactory attempt by both parties to resolve differences before seeking *agrément* for another potential sitting duck of an ambassador.

## **5. Avoid a Summit of the America's Circus**

President Obama should not permit the April 2009 Summit of the Americas in Port of Spain, Trinidad, and Tobago, to be hijacked by anti-American, authoritarian populists as was the fate of the last Summit at Mar del Plata, Argentina, in 2005. When it was launched in 1994, the presidential-level summit process was intended to consolidate democracy and facilitate negotiations for a Free Trade Area of the Americas (FTAA) agreement. Prospects for an FTAA have dimmed considerably in the years since, however, subverted by special interests and opponents of market-based democracy. The 2005 Summit was disrupted by an alliance of anti-U.S., anti-free trade, and anti-globalization groups and leaders, including Hugo Chávez, Evo Morales, Néstor and Cristina Kirchner, and other "21st century socialists." These radicals will likely seek again to advance their destructive agenda again in Trinidad. This time, however, President Obama must thwart them and promote the interests of the U.S. and our hemispheric friends and trade partners.

## **6. Move Ahead with Brazil**



The opportunity to forge a more extensive association and even a partnership with Brazil presently exists. Strengthening trade ties would be a good place to start. Under social democrat President Luiz Inácio “Lula” da Silva, Brazil has emerged as a regional powerhouse, competently leading international peacekeeping efforts in Haiti and acting as a “grown-up” restraining influence on a power-hungry, anti-U.S. Hugo Chávez. Lula and his economic team have implemented prudent fiscal and monetary policies, attracting private investment and achieving robust economic while alleviating poverty. As an incentive to encourage Brazilians to enter negotiations with the U.S. for a free trade agreement, Congress should immediately permit duty-free imports of Brazilian cane-based ethanol, offsetting the revenue loss by ending price supports for the wasteful U.S. corn ethanol program, which costs more to produce in relation to the energy it delivers all while harming the environment. Ending federal mandates, in turn, will help a strong U.S. ally, President Felipe Calderon of Mexico, where ethanol-fueled corn prices have led to higher (and politically costly) prices for corn tortillas, a Mexican dietary staple.

## **7. Promote Energy Cooperation**

Much of the U.S. electoral campaign was conducted in a period when global energy prices soared, siphoning off precious American dollars, and leaving the U.S. vulnerable to energy blackmail by Venezuela’s anti-American president Hugo Chávez.

Even with currently lower oil prices, the U.S. still needs a sound, comprehensive strategy will require expanding domestic oil and energy supplies, nuclear power, economically sustainable alternative energy sources, and energy efficiency and conservation. The U.S. must work closely with Canada and Mexico, America’s nearest and most reliable suppliers. Realistic steps to promote energy alternatives in both Americas will include elimination of the tax on sugar-based ethanol, collaborating to develop research in second-generation bio-fuels, and supporting a regionally integrated system of pipelines and liquefied natural gas facilities.

## **8. A Freedom Agenda for Cuba**

It is important to keep clearly in focus the fact that Cuba, after 50 years under a single, revolutionary, anti-American leader, remains a totalitarian state—an ideological dinosaur and island prison with a stronger kinship to the regimes of Stalin and Mao than to modern social democratic states. The island belongs not to the people but to an aging Raul Castro and his military comrades. Cosmetic economic changes have done little to alleviate dire economic distress.

While the desire to remove barriers that separate Cuban families and presumably infringe on rights of free travel for U.S. citizens is commendable, it is important to remember that Cuba’s restrictive, bureaucratic regime with its rigid controls and dual-currency system is skilled at skimming as much as possible from every fresh resource of foreign currency in order to perpetuate the regime’s stranglehold on Cuban economic life. Waves of Canadian and European tourism, for example, have done little to open Cuba

either politically or economically. An omnipresent socialist state still controls the economy and restricts the lives of Cuban citizens.

New flexibility and openness to travel and wider contact with Cuban society should be accompanied by a demonstrable relaxation of the repressive political and economic controls of the Castro regime that have impoverished and repressed Cubans and left the island's once vibrant economy in shambles. Efforts to remove U.S. administrative and legislative restrictions on travel and trade with Cuba should be calibrated with reciprocal changes that free political prisoners, allow the growth of civil society, and remove restrictions on speech, access to information (including the Internet), and travel. Empowering the Cuban people rather than extending an economic lifeline to a moribund communist regime should remain at the core of a new Cuba policy.

## **9. Keep Regional Focus on the Inter-American Democratic Charter**

On September 11, 2001, while the world watched al-Qaeda's unfolding assault on America in horror, Secretary of State Colin Powell was in Lima, Peru with the region's foreign ministers in a meeting of the Organization of American States. Before departing for his stricken home, the Secretary joined in signing the Inter-American Democratic Charter. The charter remains a unique agreement promising the people of the Americas democratic governance based on the rule of law, political pluralism, the separation of powers, and respect for human rights. Seven years later, a significant minority of Latin American states have begun abridging citizen's rights and turned to the streets to stifle political debate, while the Organization of American States, the guardian of the Charter, has sat inertly on the sidelines.

The United States is founded on and supports the sound principles of the Charter. Americans should not be afraid to defend them. Constitutions exist to protect the rights of minorities as well as of majorities. Democracy means more than finding ways to manipulate the electoral process in order to remain in executive office.

But the U.S. cannot be the only nation in the Americas ready to speak out in defense of the Charter. The challenge is to encourage other, fellow democrats in the Americas to speak up too, in the halls of the OAS and elsewhere.

## **10. Develop a Bold Education Initiative.**

The Obama Administration needs a bold initiative capable of touching the lives of ordinary Latin Americans. Education is the key to permanently reducing poverty and making more equitable societies. The U.S. is well-positioned to present a broad, multifaceted educational initiative. Support for elementary and secondary education is important and can be made with loans from the World Bank and the IADB. Rejuvenating programs at the higher education level could be a signature initiative for the incoming Administration. They can reach directly to future leaders and spur innovation in sciences and technology, areas where Latin America lags behind on the global scale. President Obama should consider creating a senior-level, voluntary, Western Hemispheric

Education Council to energize and revitalize the gamut of education strategies. The challenge is also to develop a stronger synergy to promote coordination and cooperation between government efforts, NGOs, and civil society. Additional educational efforts should also advance English-language education and develop a basic program that identifies the fundamentals of democratic capitalism.